JLM COUTURE INC
Form DEF 14A
February 28, 2002

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant [X]

Filed by a Party other than the Registrant [ ]

Check the appropriate box:

[ ] Preliminary Proxy Statement

[ ] Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

[X] Definitive Proxy Statement

[ ] Definitive Additional Materials

[ ] Soliciting Material Pursuant to Section 420.14a-12

JLM Couture, Inc.
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

[X] No fee required.

JLM COUTURE, INC.
(a Delaware Corporation)

Notice of 2002 Annual Meeting
of Shareholders to be held
at 11:00 A.M. on April [ ], 2002

To the Shareholders of
JLM COUTURE, INC.:

NOTICE IS HEREBY GIVEN that the 2002 Annual Meeting of Shareholders (the "Meeting") of JLM COUTURE, INC. (the "Company") will be held on April[ ], 2002 at 11:00 A.M. at the offices of Kalin & Associates, P.C., located at 494 Eighth Avenue, Suite 800, New York, NY, to consider and vote on the following matters described under the corresponding numbers in the attached Proxy Statement:

Proposal 1. To elect one Class I Director to hold office for three years and until the 2005 annual meeting of the shareholders at which his term expires or until his successor has been duly elected.

Proposal 2. To transact such other business as may properly come before the Meeting.

The Board of Directors has fixed March 27, 2002, at the close of business, as the record date for the determination of shareholders entitled to vote at the Meeting, and only holders of shares of Common Stock of the Company of record at the close of business on that day will be entitled to vote. The stock transfer books of the Company will not be closed.

A complete list of shareholders entitled to vote at the Meeting shall be available for examination by any shareholder, for any purpose germane to the Meeting, during ordinary business hours from April [ ], 2002 until the Meeting at the offices of the Company. The list will also be available at the Meeting.

Whether or not you expect to be present at the Meeting, please fill in, date, sign, and return the enclosed Proxy, which is solicited by management. The Proxy is revocable and will not affect your vote in person in the event you attend the Meeting.

By Order of the Board of Directors

Joseph E. O'Grady, Secretary

Date: March [ ], 2002

Requests for additional copies of proxy material and the Company's Annual Report for its fiscal year ended October 31, 2000 should be addressed to Shareholder Relations, JLM Couture, Inc., 225 West 37th Street, New York, NY 10018. This material will be furnished without charge to any shareholder requesting it.

JLM COUTURE, INC.
225 West 37th Street
New York, NY 10018

## Proxy Statement

The enclosed proxy is solicited by the management of JLM Couture, Inc. (the "Company") in connection with the 2002 Annual Meeting of Shareholders (the "Meeting") to be held on April [ ], 2002 at 11:00 A.M. at the offices of Kalin & Associates, P.C., 494 Eighth Avenue, Suite 800, New York, NY, and any adjournment thereof. The Board of Directors (the Board") has set March 27, 2002 as the record date for the determination of shareholders entitled to vote at the Meeting. A shareholder executing and returning a proxy has the power to revoke it at any time before it is exercised by filing a later proxy with, or other communication to, the Secretary of the Company or by attending the Meeting and voting in person.

The entire cost of soliciting proxies will be borne by the Company. The costs of solicitation, which represent an amount believed to be normally expended for a solicitation relating to an uncontested election of directors, will include the costs of supplying necessary additional copies of the solicitation materials and the Company's Annual Report to Shareholders for its fiscal year ended October 31, 2001 ("Fiscal 2001")(the "Annual Report") to beneficial owners of shares held of record by brokers, dealers, banks, trustees, and their nominees, including the reasonable expenses of such recordholders for completing the mailing of such materials and Annual Reports to such beneficial owners.

Only shareholders of record of the Company's 2,330,530 shares of Common Stock (the "Common Stock") outstanding at the close of business on March 27, 2002 will be entitled to vote. Each share of Common Stock is entitled to one vote. Holders of a majority of the outstanding shares of Common Stock must be represented in person or by proxy in order to achieve a quorum. The proxy statement, the attached notice of meeting, the enclosed form of proxy and the Annual Report are being mailed to shareholders on or about March 144: [ ], 2002. The mailing address of the Company's principal executive offices is 225 West 37th Street, New York, NY 10018.

PROPOSAL ONE. ELECTION OF CLASS I DIRECTOR

The Company's By-laws require the Company to have five or less directors. The number of directors is set by the Board and is currently three. The Board is divided into three classes of directors. Each class currently consists of one director. Class I, whose term expires at the Meeting, consists of Joseph E. O'Grady; Class II, whose term expires in 2003, consists of Daniel M. Sullivan; and Class III, whose term expires in 2004, consists of Joseph L. Murphy. At the Meeting, one director will be elected to fill Class I. Mr. O'Grady is the nominee for election at the Meeting. If elected, Mr. O'Grady will serve for a term expiring at the 2005 annual meeting of shareholders.

The persons named in the accompanying proxy have advised management that it is their intention to vote for the election of Joseph E. O'Grady as a Class I Director unless authority is withheld.

The following table sets forth certain information as to the person nominated for election as a director of the Company and for those directors whose terms of office will continue after the Meeting:

| Name | Age | Position with the Company | Director Since |
|---|---|---|---|
| Joseph L. Murphy | 47 | Chief Executive and Financial Officer, Director | April 1986 |
| Daniel M. Sullivan | 77 | Chairman of the Board of Directors | September 1986 |

| | | | |
|---|---|---|---|
| Joseph E. O'Grady | 80 | Secretary and Director | February 1991 |

Joseph L. Murphy, a founder of the Company, has been a director of the Company since its inception. During Fiscal 1992, Mr. Murphy was appointed President. In February 1993, Mr. Murphy was appointed Chief Executive Officer. Mr. Murphy is the brother of Mark Murphy, the Company's Vice President - Operations.

Daniel M. Sullivan became a director in September 1986 and was elected Chairman of the Board in 1989. In 1989, Mr. Sullivan retired as President and Chief Executive Officer of Frost & Sullivan, Inc., a publicly-traded publisher of market research studies, a position he had held for more than five years prior to his retirement.

Joseph E. O'Grady was appointed to the Board of Directors in February 1991. In December 1992, Mr. O'Grady was appointed Secretary of the Company. For more than the past five years, Mr. O'Grady has been the President of JOG Associates, Inc., a privately-held financial consulting firm based in Hicksville, NY. JOG Associates, Inc. arranges business financing and provides financial consulting services for closely-held companies.

During Fiscal 2001, the Board met informally. It acted five times by unanimous written consent.

OTHER EXECUTIVE OFFICERS

| Name | Age | Position with the Company | Position Held Since |
|---|---|---|---|
| Mark Murphy | 37 | Secretary and Vice President-Operations | May 1993 |

Mark Murphy was appointed Vice President - Operations in May 1993. Mr. Mark Murphy joined the Company in January 1993. Prior to his joining the Company, Mr. Mark Murphy was employed as a manager by Accurate Testing Co., a metals testing company based in California, a position he had held since 1988. Mr. Mark Murphy is the brother of Joseph L. Murphy, the Company's President.

COMPLIANCE WITH SECTION 16(a) OF THE SECURITIES EXCHANGE ACT OF 1934.

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's executive officers and directors, and persons who own more than ten percent of a registered class of the Company's equity securities to file reports of ownership and changes in ownership with the Securities and Exchange Commission. Based solely on its review of the copies of such forms received by it, the Company believes that during Fiscal 2001 all executive officers and directors of the Company complied with all applicable filing requirements.

AUDIT AND COMPENSATION COMMITTEE

During Fiscal 2001, the Audit and Compensation Committee (the "Audit Committee") consisting of Messrs. O'Grady and Sullivan met one time.

AUDIT COMMITTEE REPORT

The Audit Committee consists of a majority of independent directors all of whom meet the independence and experience requirements of Nasdaq Marketplace Rule 4200(a)(14). The Audit Committee's responsibilities are as described in a written charter adopted by the Board, which is attached as Appendix A to this Proxy Statement.

The Audit Committee has reviewed and discussed the Company's audited financial statements for Fiscal 2001 with management and with the Company's independent auditors, Goldstein Golub Kessler LLP. The Audit Committee has discussed with Goldstein Golub Kessler LLP the matters required to be discussed by the Statement on Auditing Standards No. 61 relating to the conduct of the audit. The Audit Committee has received the written disclosures and the letter from Goldstein Golub Kessler LLP required by Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees, and has discussed with Goldstein Golub Kessler LLP its independence. Based on the Audit Committee's review of the audited financial statements and the review and discussions described in the foregoing paragraph, the Audit Committee recommended to the Board that the audited financial statements for Fiscal 2001 be included in the Company's Annual Report on Form 10-KSB for Fiscal 2001 for filing with the Securities and Exchange Commission.

Submitted by the members of the Audit Committee:

Joseph E. O'Grady
Daniel M. Sullivan

AUDIT FEES; FINANCIAL INFORMATION SYSTEMS DESIGN AND IMPLEMENTATION FEES; ALL OTHER FEES

Audit fees billed to the Company by Goldstein Golub Kessler LLP during Fiscal 2001 for review of the Company's annual financial statements and those financial statements included in the Company's quarterly reports on Form 10-QSB totaled $50,000. The Company did not engage Goldstein Golub Kessler LLP to provide advice to the Company regarding financial information systems design and implementation during Fiscal 2001. The Company did not engage Goldstein Golub Kessler LLP during Fiscal 2001 for any other non-audit services.

EXECUTIVE COMPENSATION

The following table sets forth information relating to the cash compensation received during the Company's last three fiscal years by the Company's President. None of the Company's other officers had cash compensation in Fiscal 2001 of more than $100,000 per year:

SUMMARY COMPENSATION TABLE

| Name and Principal Position | Fiscal Year | Annual Compensation Salary ($) | Other Annual Compensation ($) | Long Term Compensation Options | Other Compensation ($) |
|---|---|---|---|---|---|
| Joseph L. | 2001 | 325,000 | 57,640 | - | 9,526 |
| Murphy, | 2000 | 302,083 | 65,430 | - | 8,616 |
| President | 1999 | 208,667 | 77,437 | - | 8,654 |

EMPLOYMENT AGREEMENT

Mr. Joseph L. Murphy has an employment agreement (the "Agreement") with the Company. His current base salary is $325,000 per year. As additional compensation, Mr. Murphy receives five percent (5%) of the Company's annual pre-tax profits. As additional compensation, Mr. Murphy was also granted a five year option to purchase 200,000 shares of Common Stock of the Company (the Common Stock") exercisable at a rate of 50,000 shares immediately and 50,000 shares on each yearly anniversary date thereof at an exercise price of $2.5625 per share, that being the fair market value of a share of Common Stock on the date of grant. On August 14, 2001, the Board of Directors amended the Agreement to extend the term of Mr. Murphy's employment until May 19, 2006 and to award Mr. Murphy 200,000 restricted shares of Common Stock as additional compensation for services rendered and to be rendered pursuant to the Agreement.

STOCK OPTION PLAN

On August 26, 1996, the Company adopted a stock option plan (the "1996 Plan"). The 1996 Plan provides for the issuance of incentive and non-statutory stock options to employees, consultants advisors and/or directors for a total of up to 100,000 shares of Common Stock. The 1996 Plan was amended by the Board of Directors (subject to stockholder approval) in September 1998 to increase the authorized number of shares thereunder from 100,000 to 250,000 shares. A majority of the Company's shareholders approved the amendment to the 1996 Plan in October 1998, at the Company's 1998 Annual Meeting of Shareholders. The exercise price of options granted may not be less than the fair market of the shares on the date of grant (110% of such fair market value for a holder of more than 10% of the Company's Common Stock). The 1996 Plan will terminate on August 26, 2006.

AGGREGATED OPTION EXERCISES IN LAST FISCAL
YEAR AND FISCAL YEAR-END (FYE) OPTION VALUES

| Number Of Unexercised Options | Value of Unexercised In-th Options At F |
|---|---|

| Name | Shares Acquired On Exercise | Value Realized(1) | At FYE Exercisable/ Unexercisable | Acquired ( Exercisable/ Unexercisable (1) |
|---|---|---|---|---|
| Joseph L. Murphy | - | - | 300,000/0 | 0/0 |
| Mark Murphy | - | - | 35,000/0 | 0/0 |
| Joseph E. O'Grady | - | - | 10,000/15,000 | 0/4,050 |
| Daniel M. Sullivan | - | - | 20,000/15,000 | 200/0 |

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